

Farmed Shrimp at inflection point

Rabobank, North Atlantic Seafood Forum

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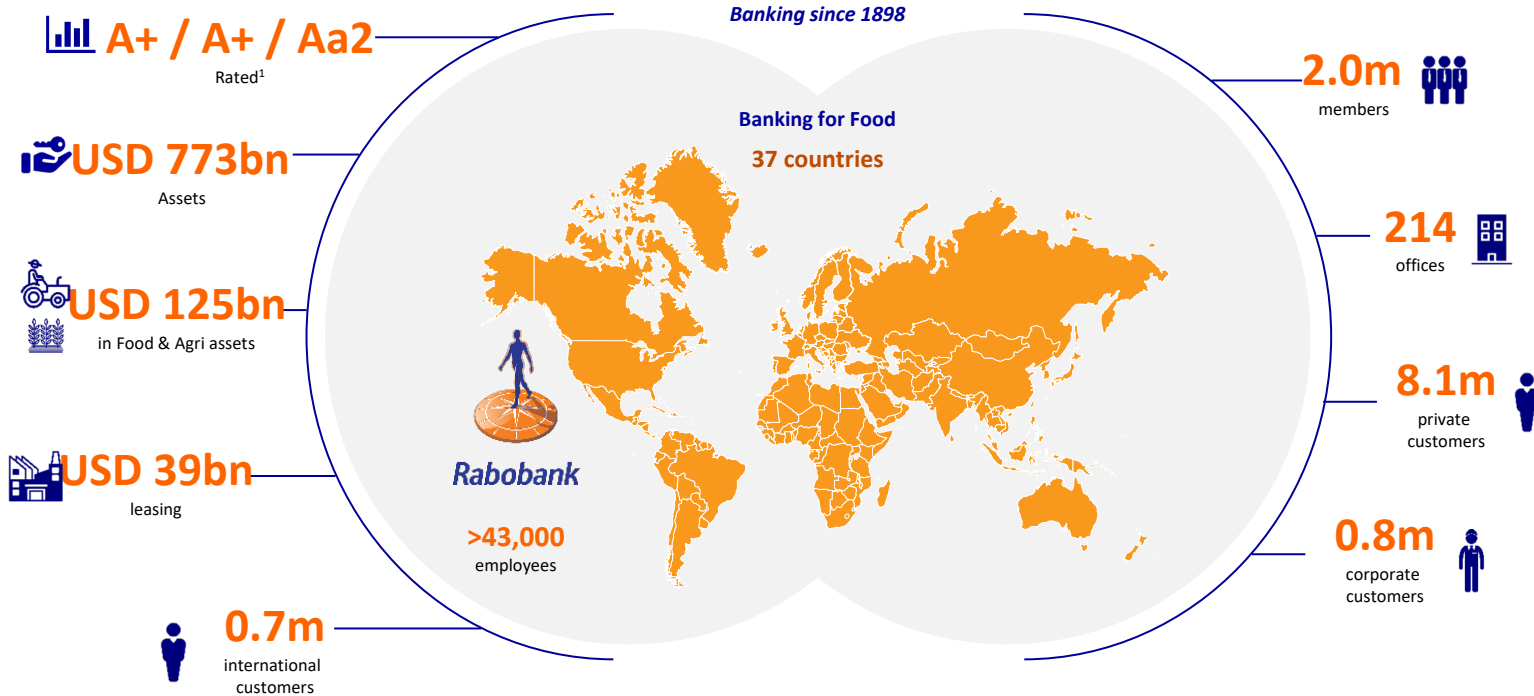
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Source: Rabobank 2022



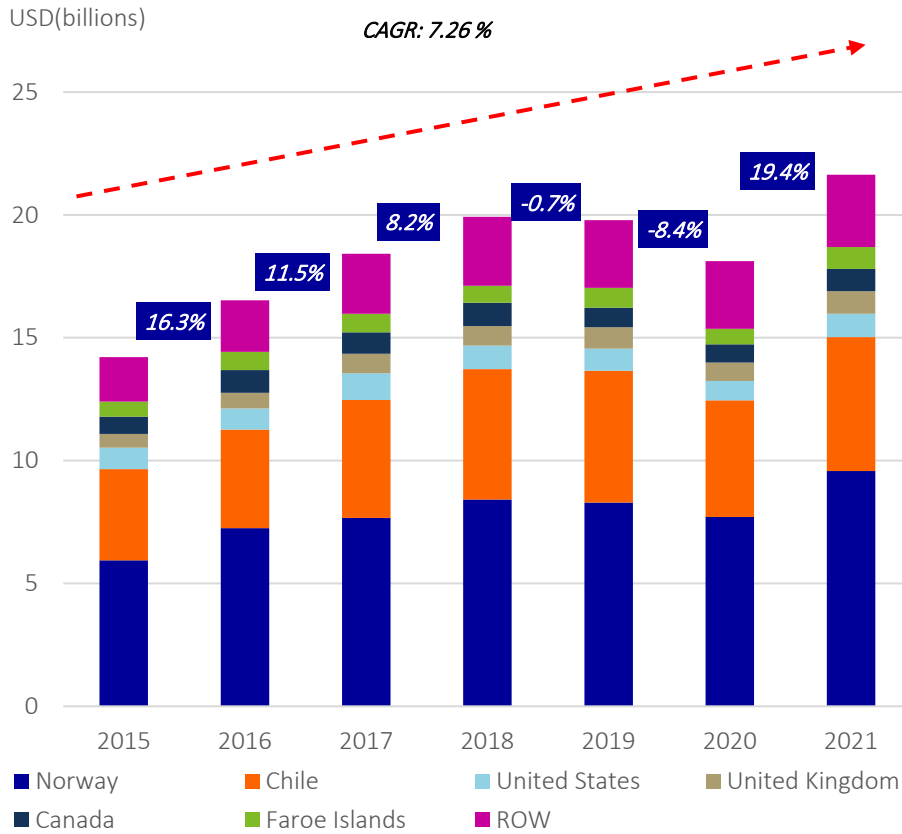
Shrimp vs Salmon: the two drivers of seafood trade

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Shrimp vs. Salmon export growth values are neck and neck

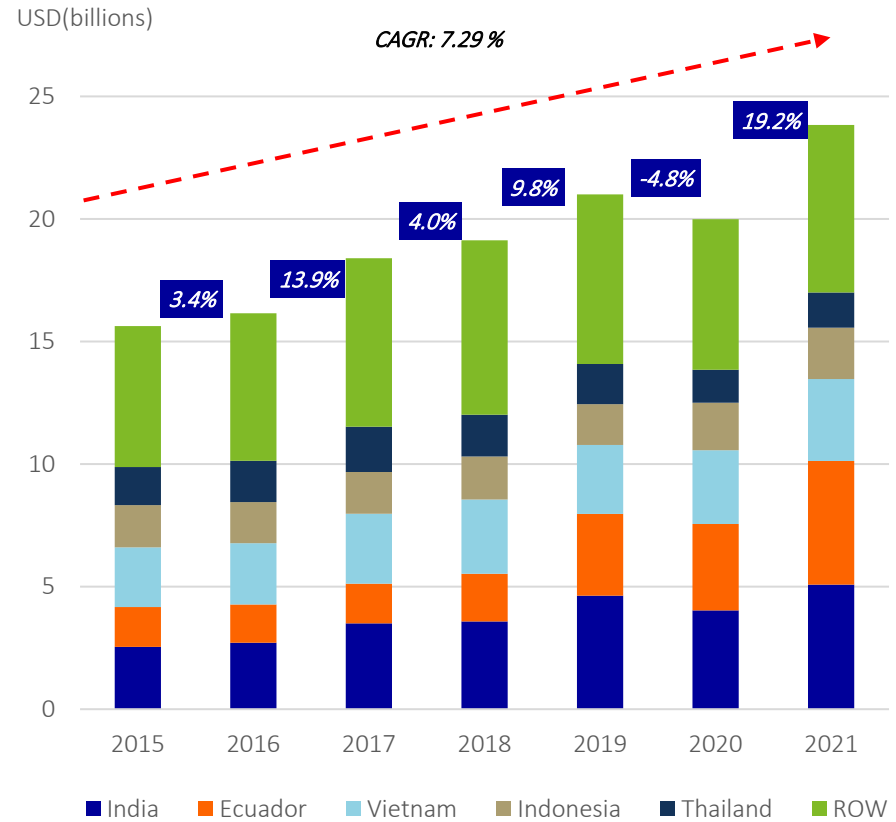


Salmon exports grew at a CAGR of 7.26% since 2015, and rebounded by 19% post pandemic



YOY(%) Growth

Shrimp exports grew at a CAGR of 7.29% since 2015, with India and Ecuador driving growth

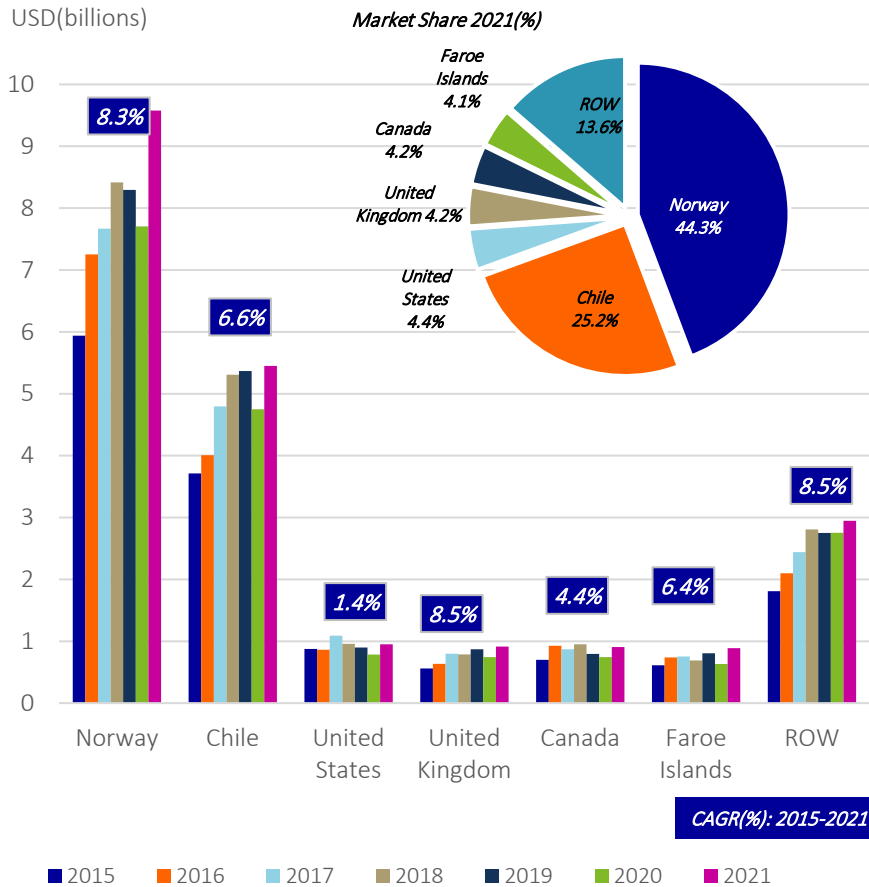


YOY(%) Growth

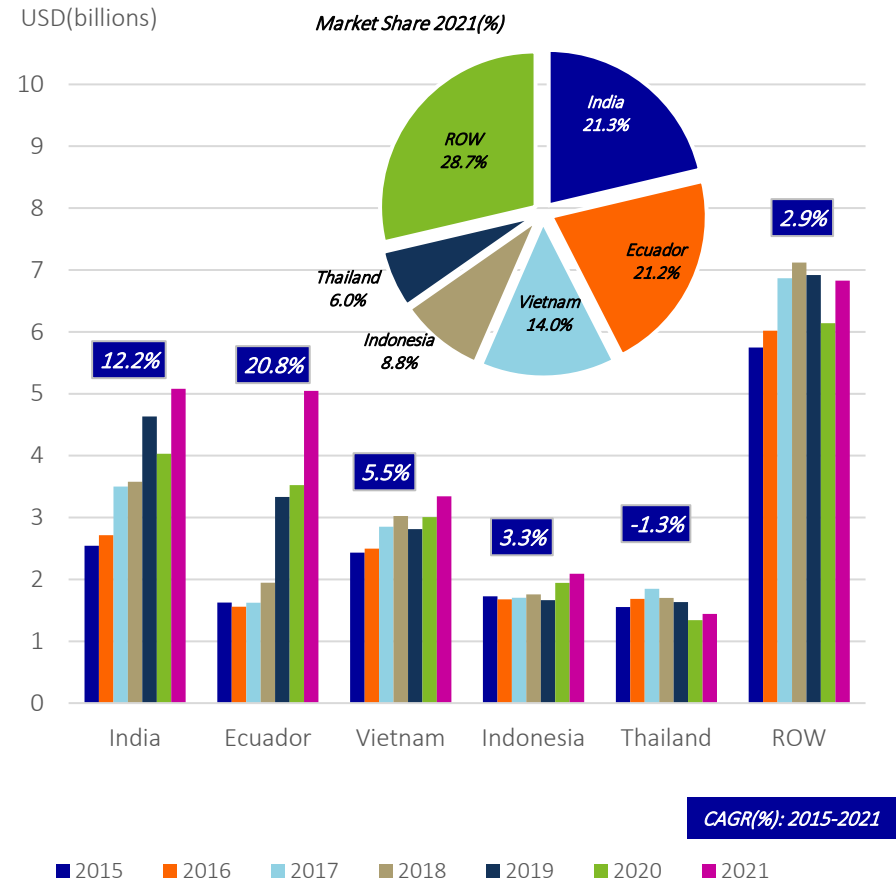
Source: Trade Data Monitor, Rabobank 2022
Note: data includes both farmed and wild production

Shrimp exporters are less concentrated than salmon

Salmon exports dominated by Norway and Chile, representing 70% of trade



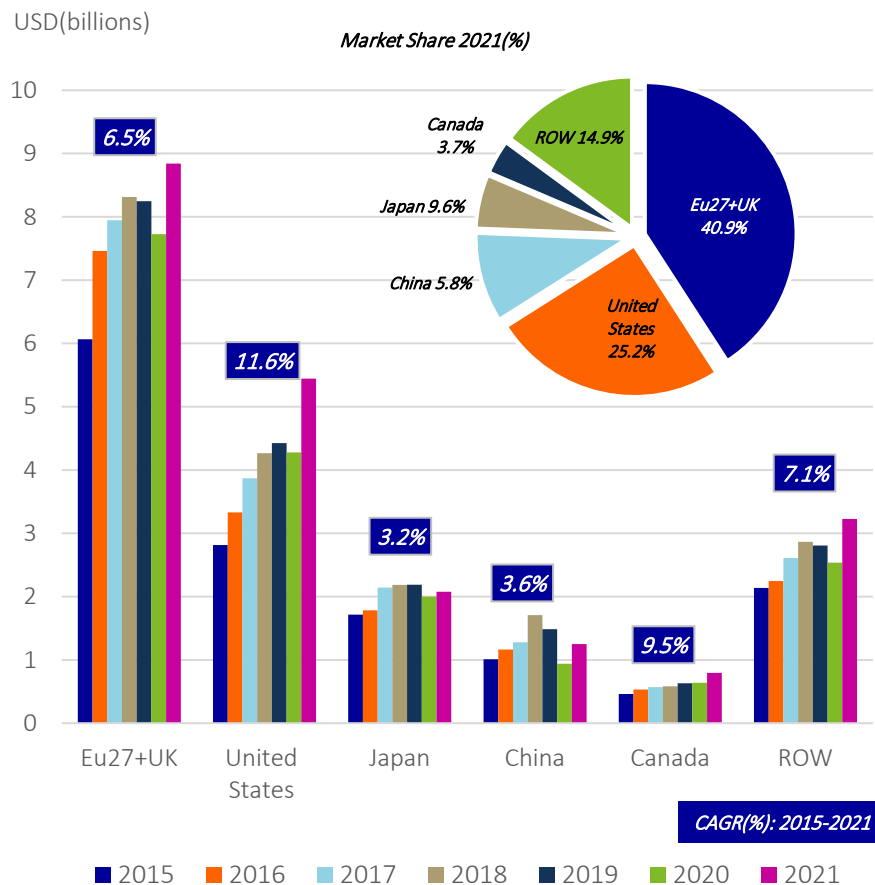
Shrimp exports higher in total trade by more diversified exporters



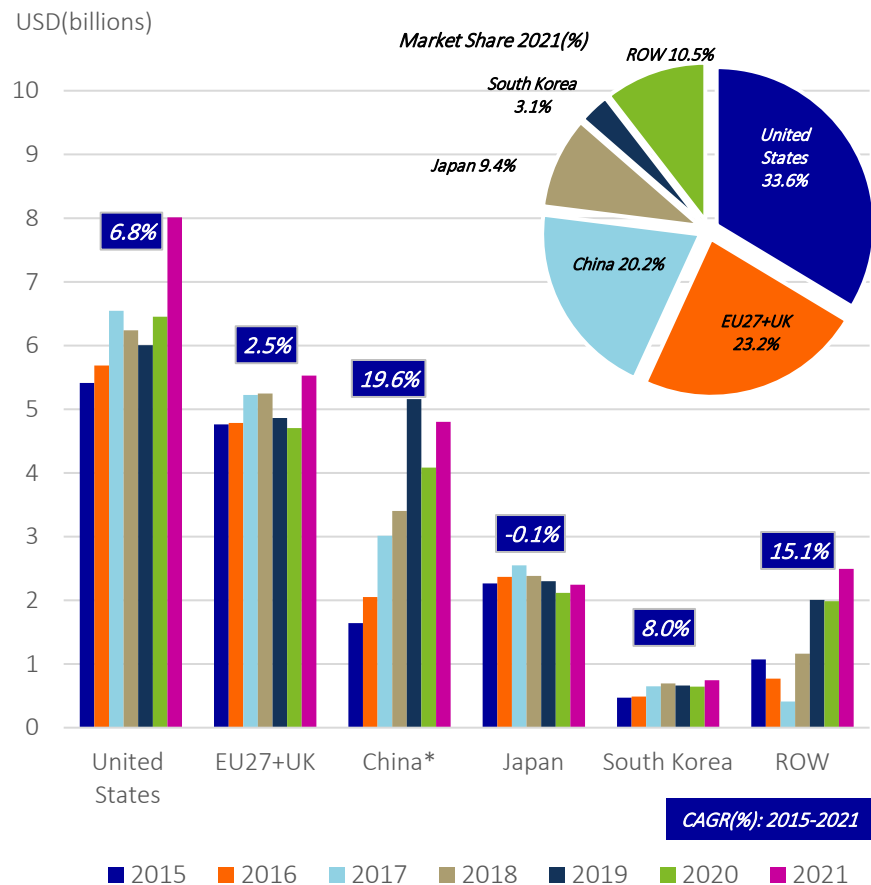
Source: Trade Data Monitor, Rabobank 2022
Note: data includes both farmed and wild production

EU and US dominate imports in both salmon and shrimp

Salmon imports dominated by EU27+UK but growth in US has been greater



Shrimp imports of US greatly benefitted by increasing consumption in US and China, while Eu27+UK showed limited growth

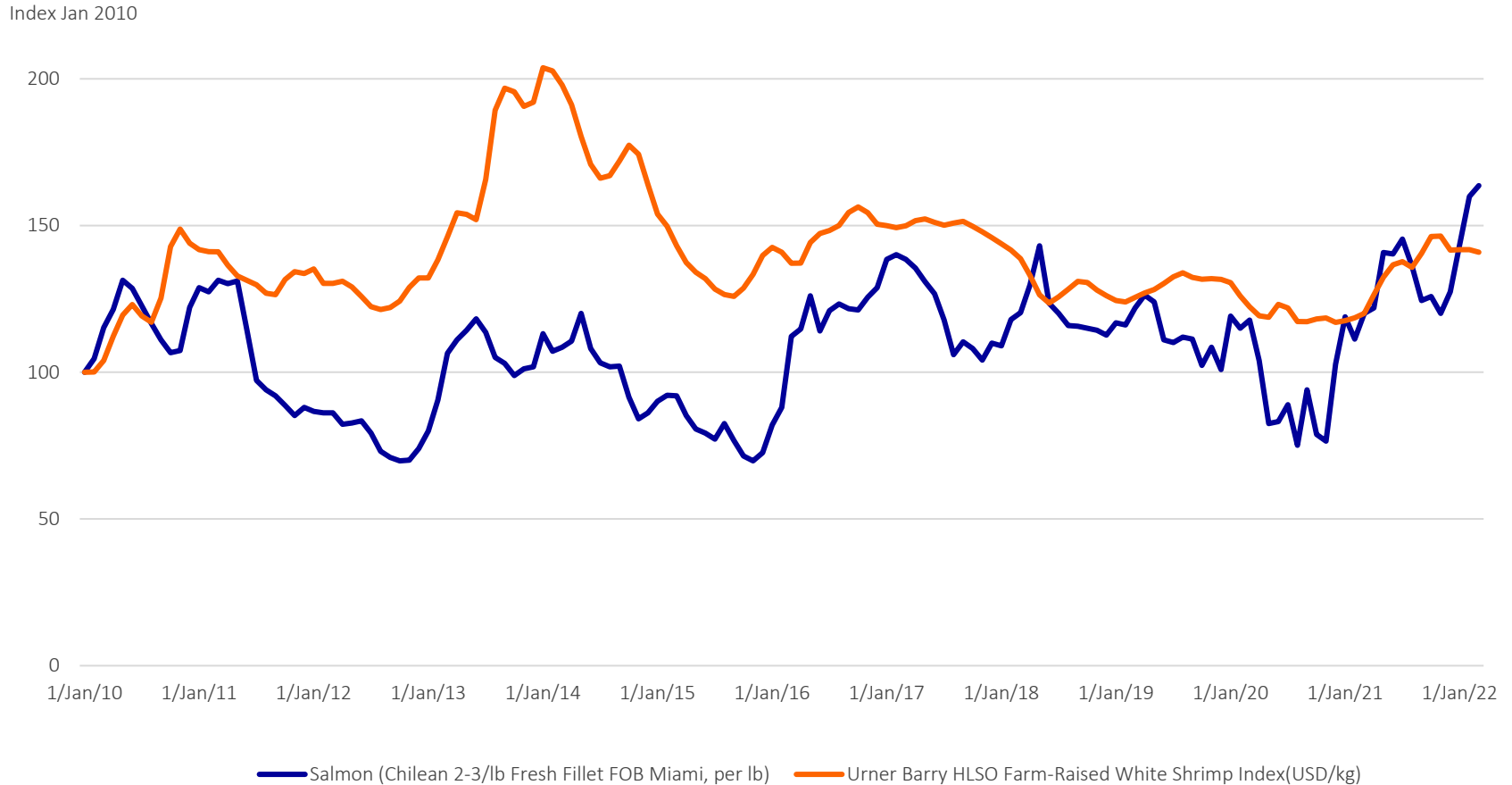


Note: China * includes China, Vietnam and Hong Kong

Due to the elastic supply curve and frozen trade shrimp prices are somewhat less volatile than salmon prices



Salmon prices are especially volatile due to fresh trade and low supply elasticity





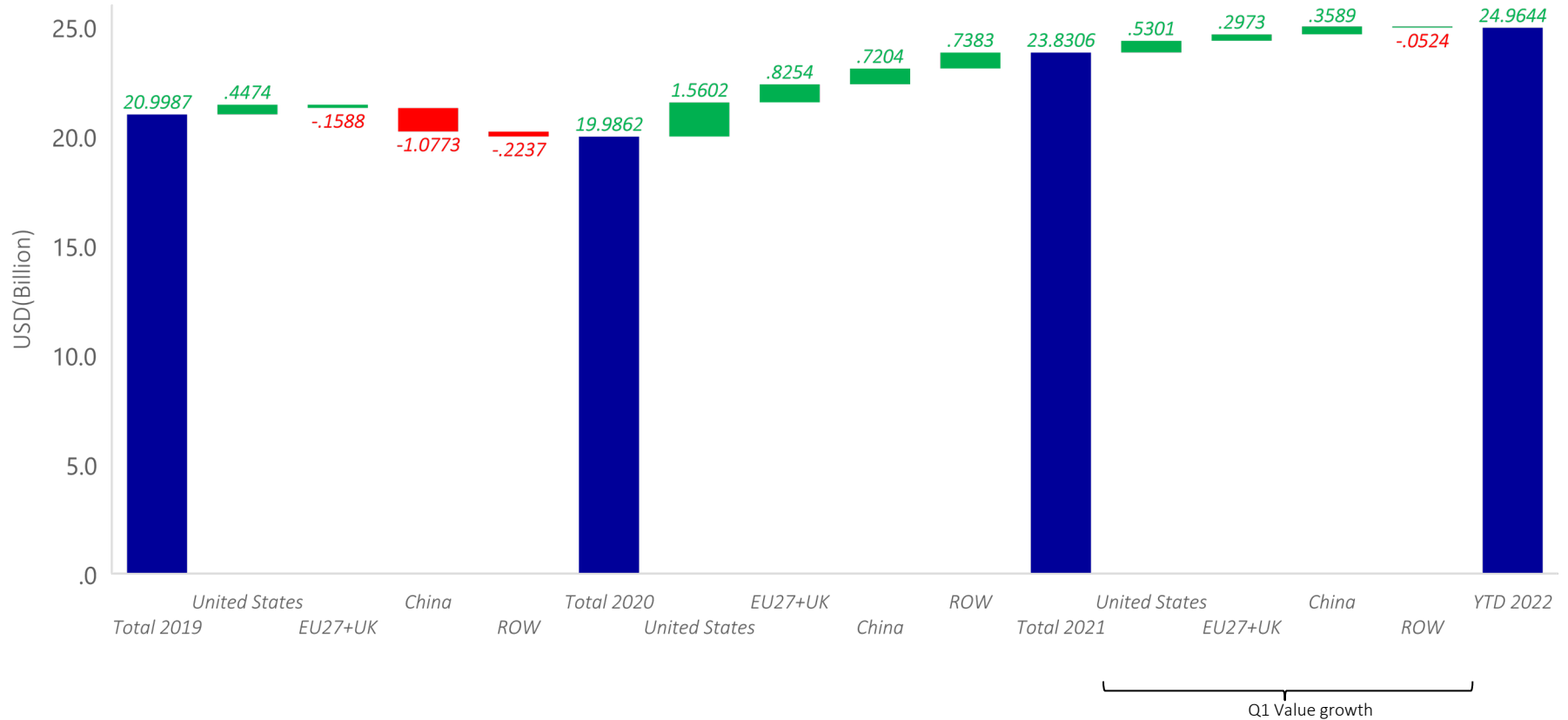
Shrimp Markets: Strong q1, but market is turning

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2021 and Q1 2022 was period of strong demand led by the US

As foodservice reopened, shrimp demand more then recovered in all major markets

Key shrimp import markets, in value



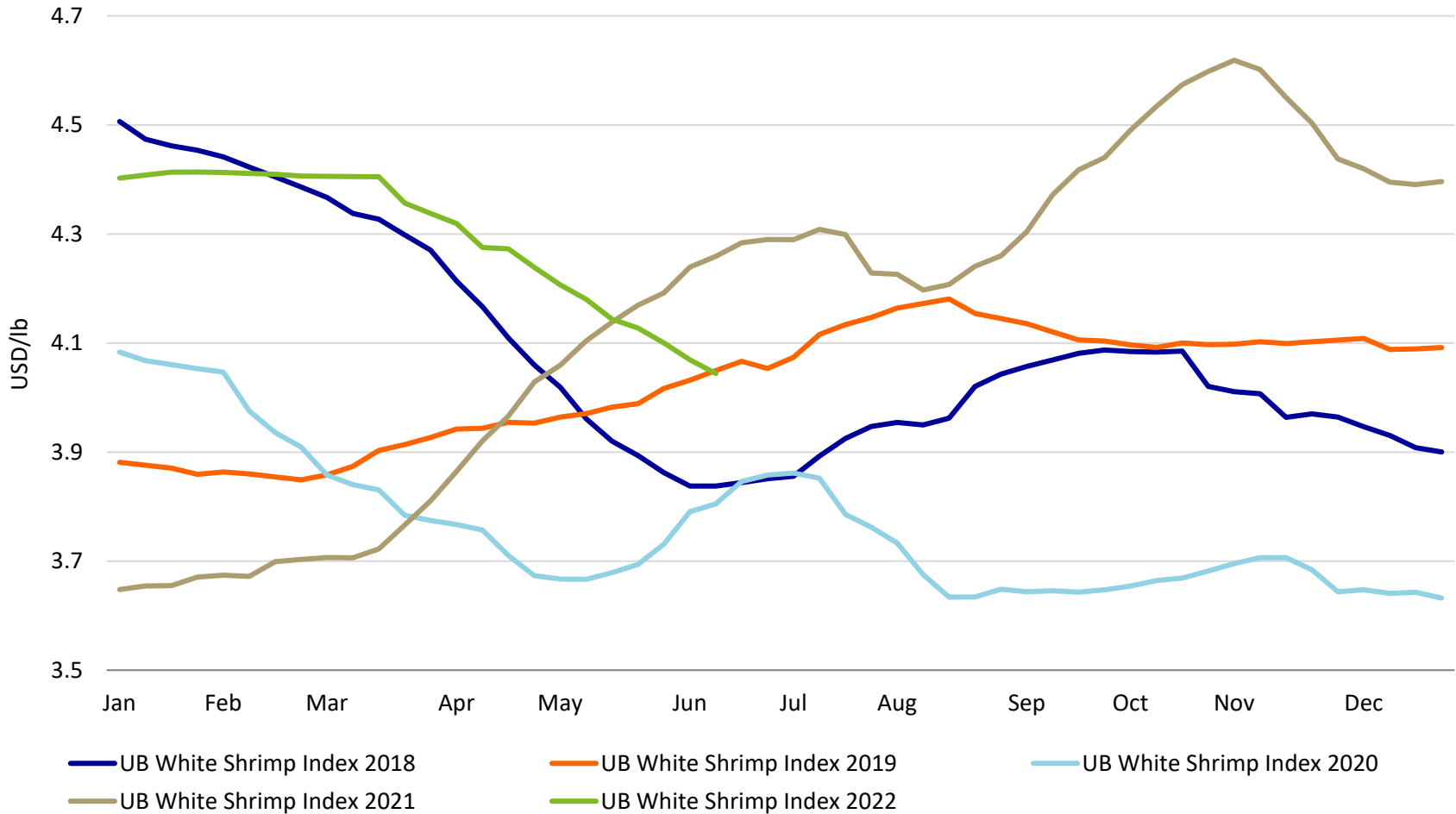
Source: Trade Monitor, Rabobank 2022

Note: data includes both farmed and wild species

Shrimp price inflection seems to have happened in March 2022

Key question is how strong the correction will be?

Urner Barry White Shrimp Index: Prices well above pre-pandemic levels and likely supported in 1H 2022



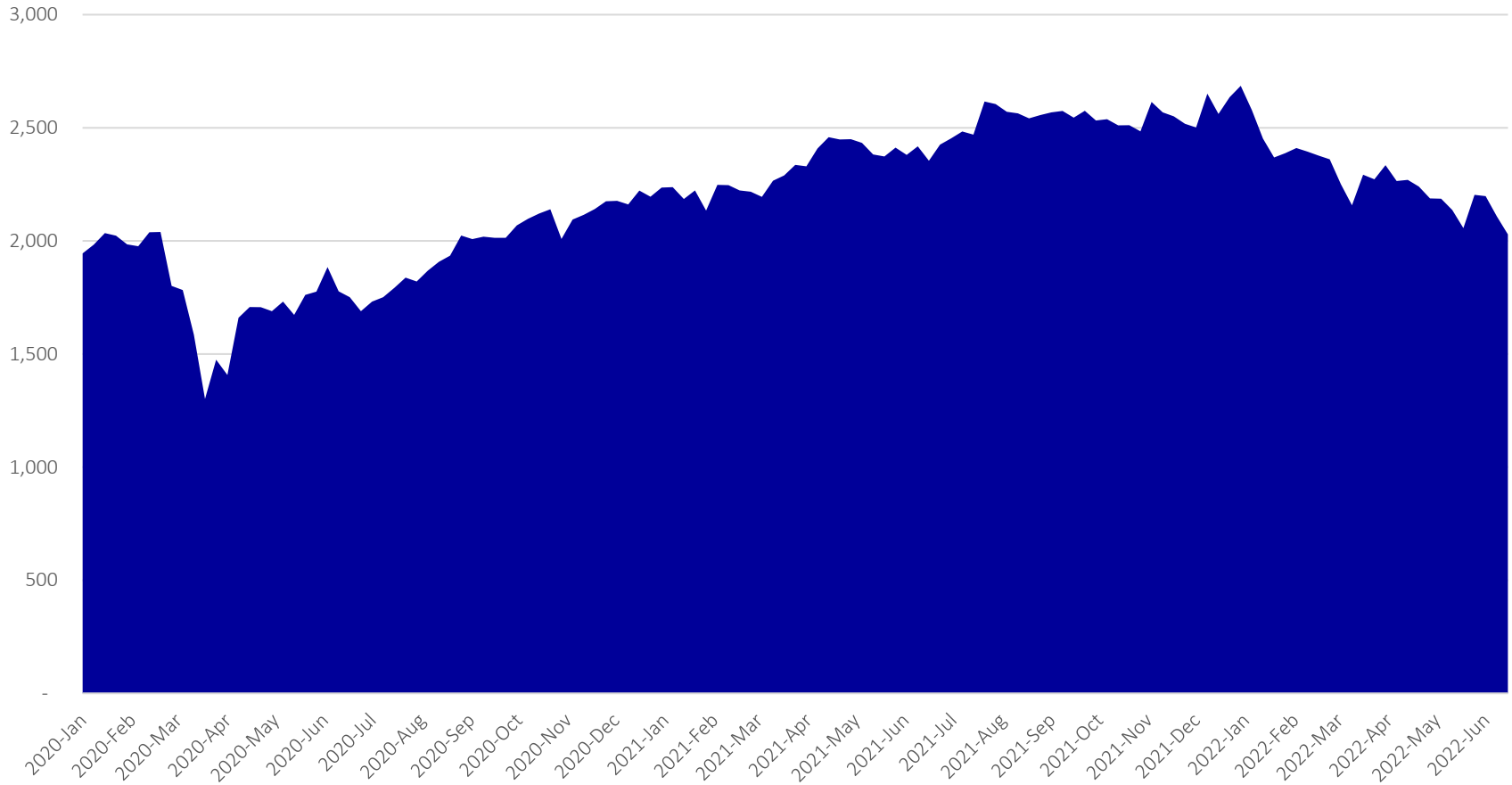
Source: Food and Agriculture Organization of the United Nations, Global Aquaculture Alliance, Urner Barry, Rabobank 2022

US Food service sector seems to have peaked in January 2022 and declining steadily

A further decline throughout 2022 is expected as inflation impacts disposable income



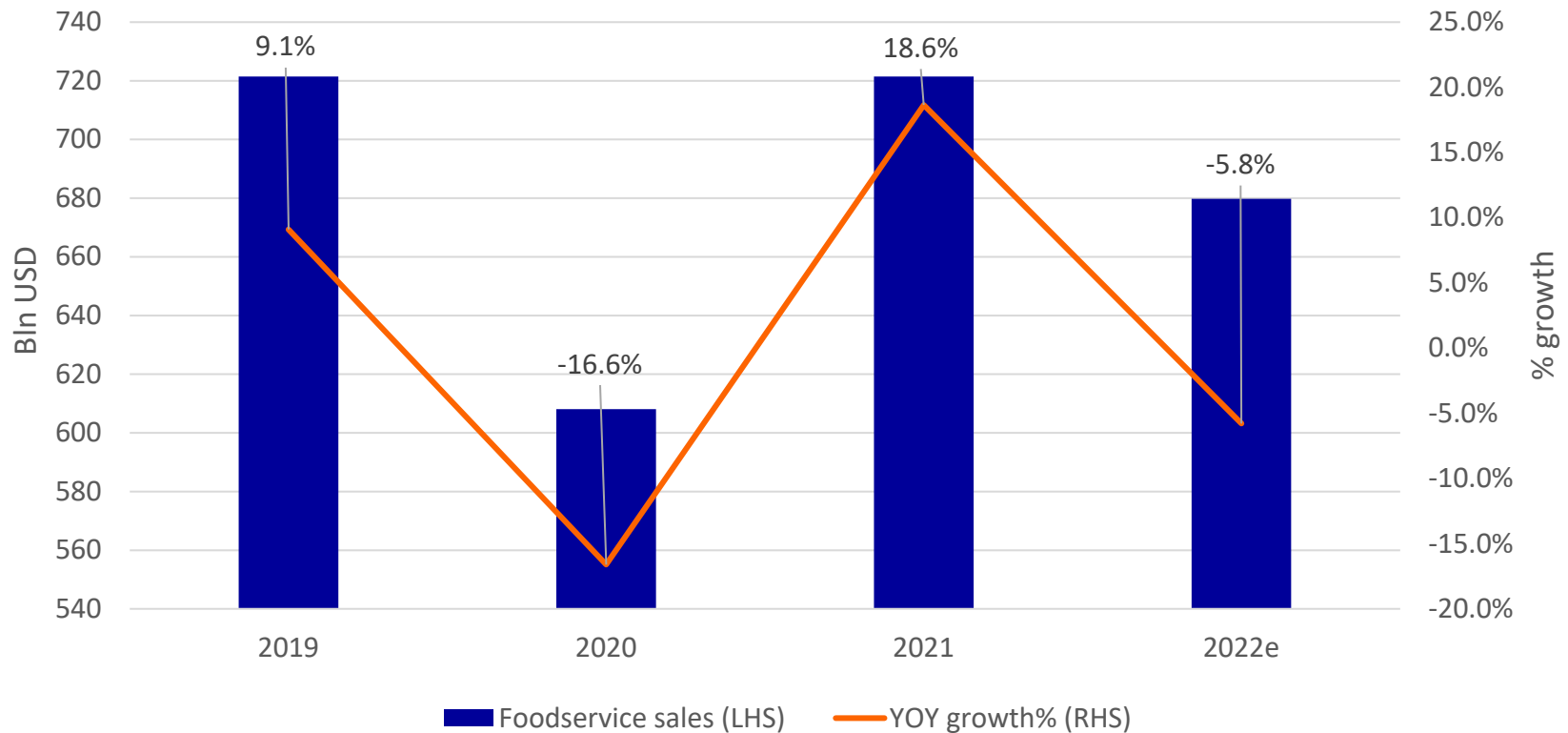
The Dow Jones US Restaurant & Bar Index, Jan 2020-June 2022



Also, Chinese food service sector to decline again in 2022

As severe Covid lockdowns are implemented, battling new outbreaks

China's food service sector is forecasted to decline in 2022 by 5-6%





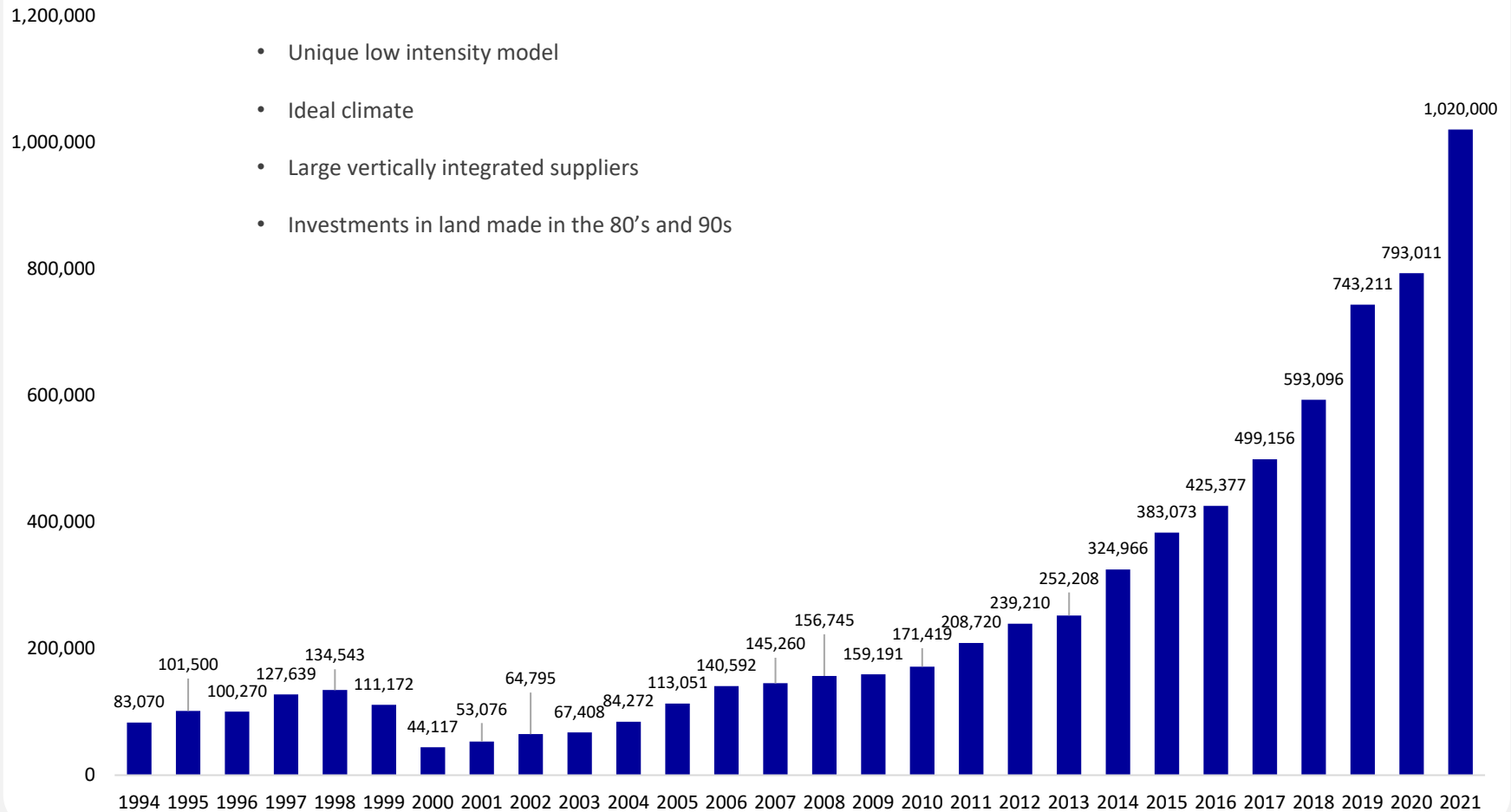
Key producers still expanding supply

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Ecuador's has been the fastest expanding shrimp producer, exceeding the 1 million MT production mark in 2021



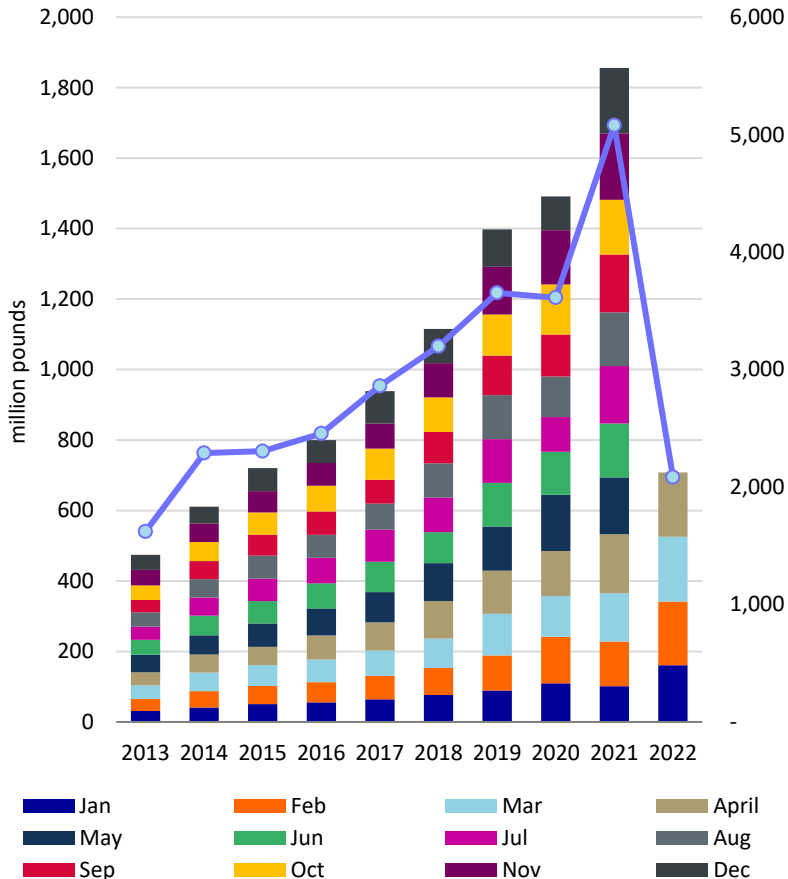
Ecuador's shrimp production in MT, new data suggest 1 million was surpassed in 2021



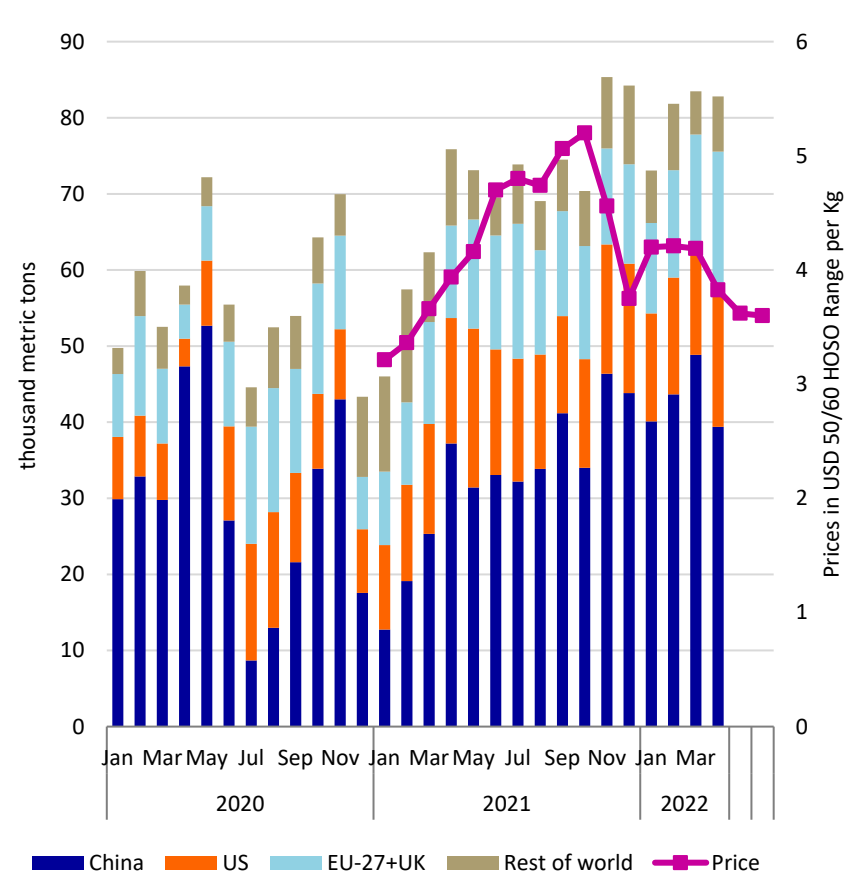
Ecuador: A Key Winner in the pandemic keeps up the momentum

Ecuador's exports are still increasing undeterred also in Q1 2022

Ecuador's exports expanded in 2022 (up 32.9% YTD April 2022), continuing the long-term growth rate



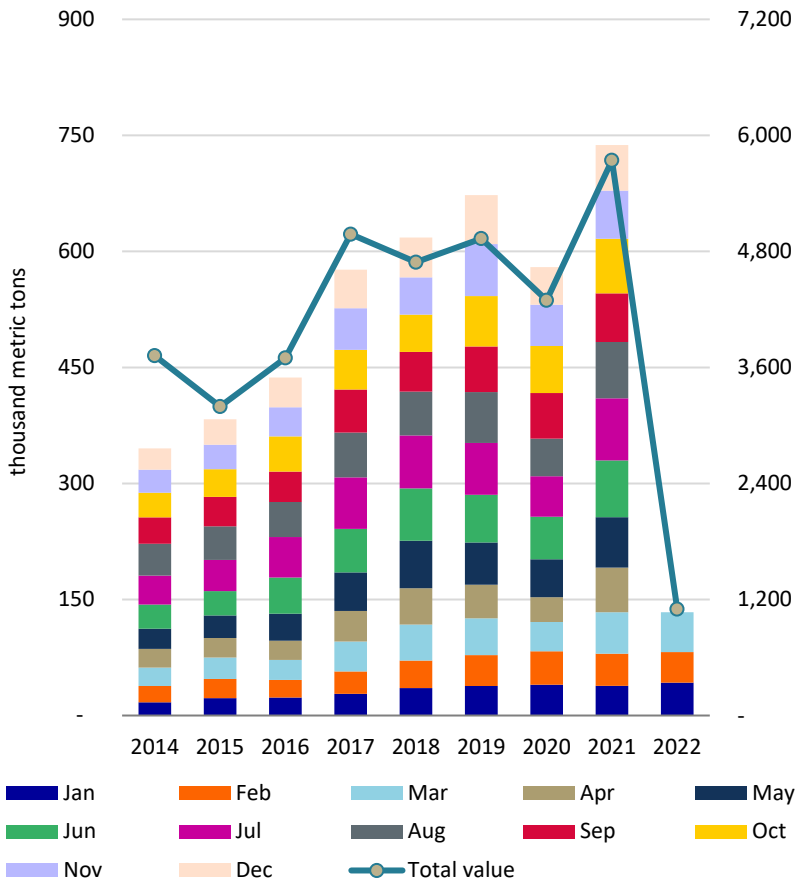
Ecuador's exports are partially pivoting to the US and Europe, even as Chinese demand is recovering



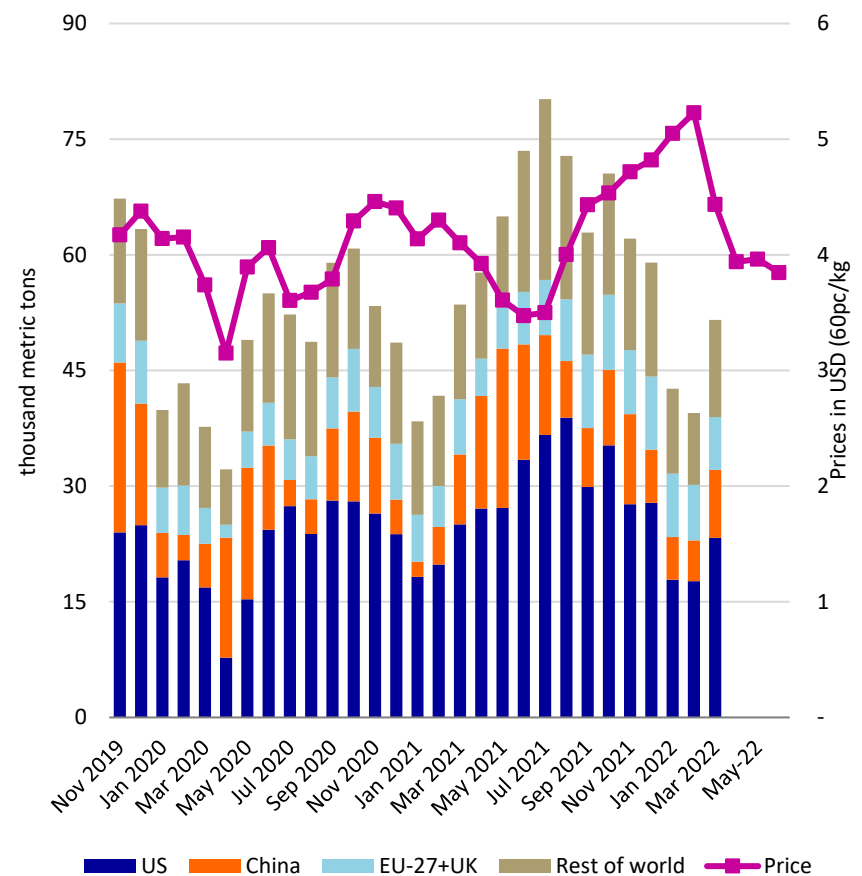
India: After a stellar rebound in 2021 (27% in vol.), Indian production growth flattens due to higher costs and mortality issues

2022 started with high prices but supply growth has not been clear so far

Indian shrimp exports have no growth in volume, YTD April 2022



India is the leading supplier to the US, and is facing competition from Ecuador and Indonesia

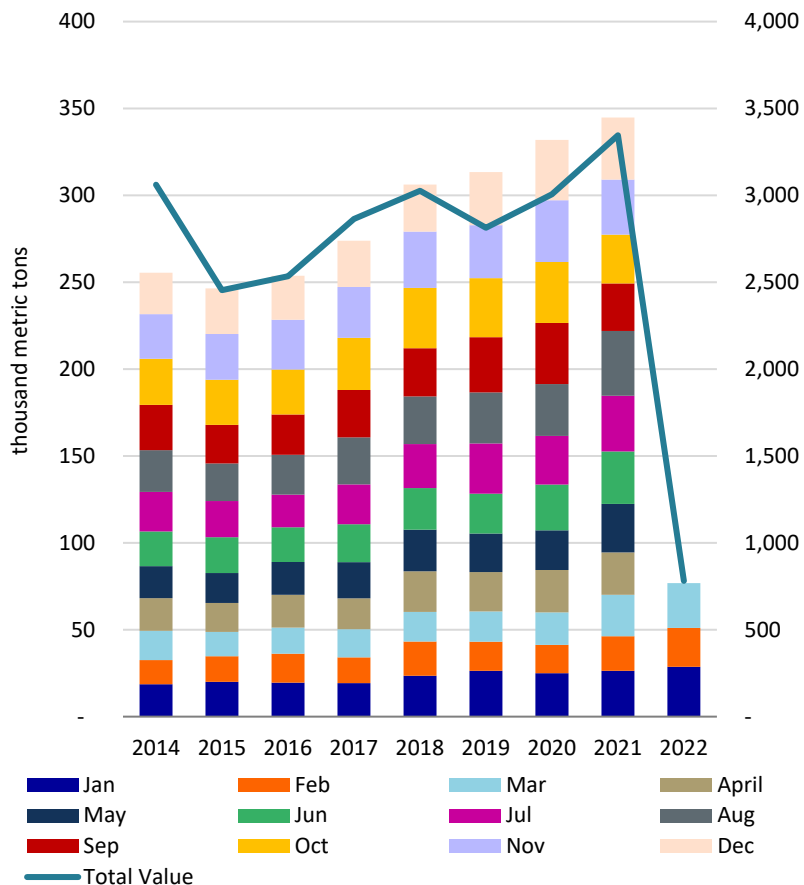


Vietnam: Consistent and Steady Growth is continuing also in 2022

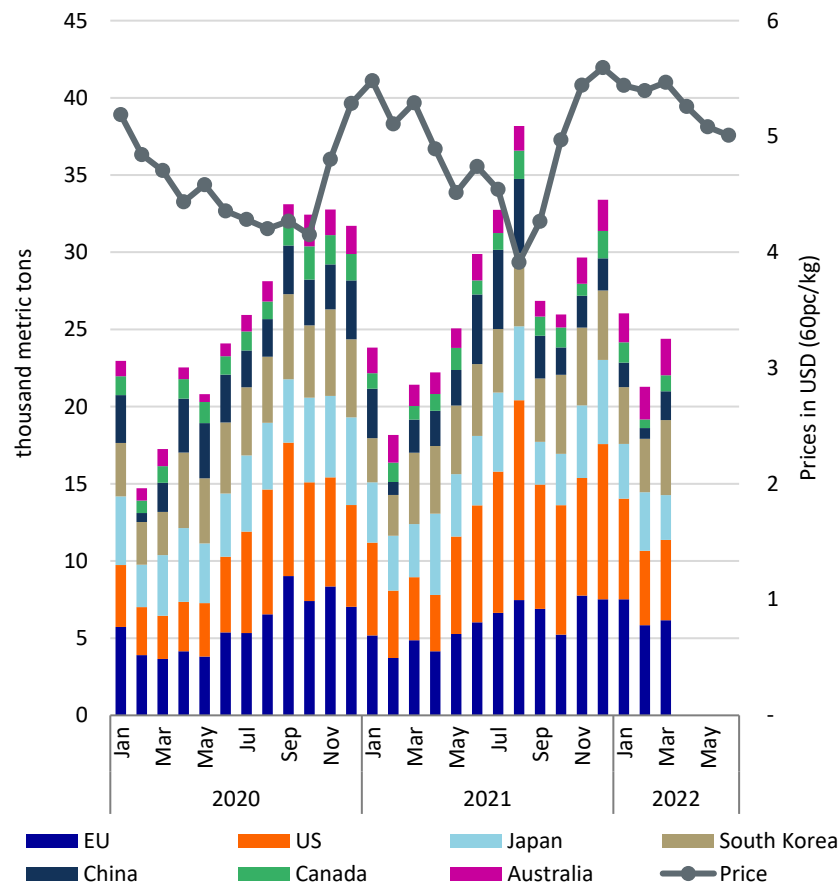
It remains to be seen if this can be maintained in H2 2022, give adverse cost and price changes



Relative to 2021, Vietnam's exports were up 10% in volume, YTD March 2022



A well-diversified exporter with limited exposure to China, Vietnam is shifting focus based on relative demand

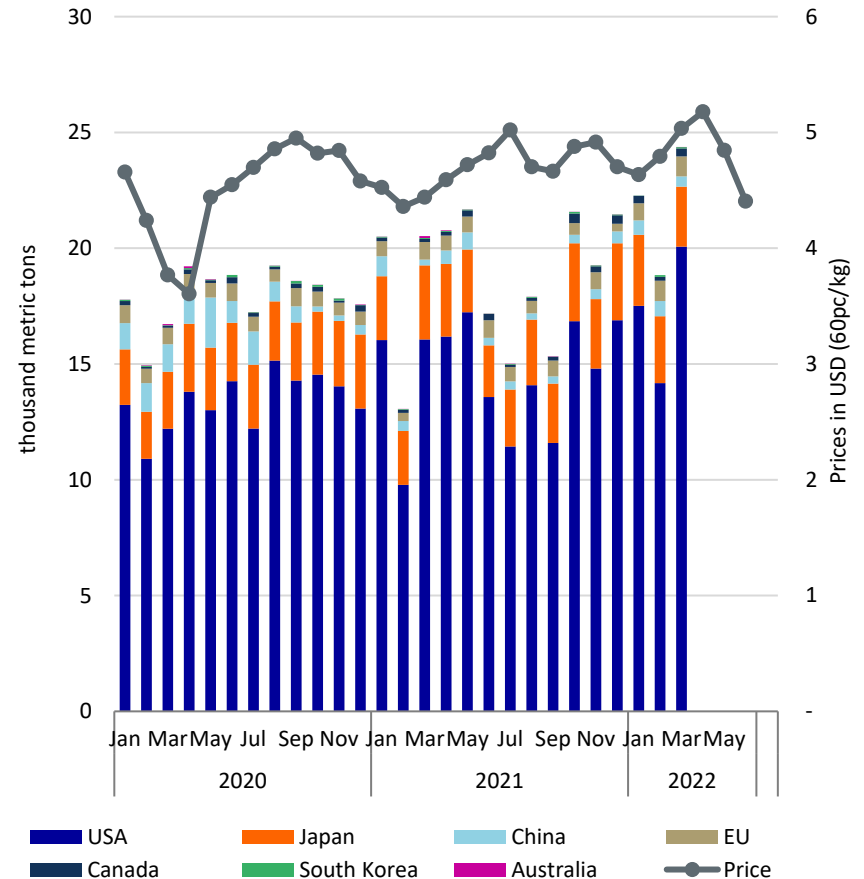
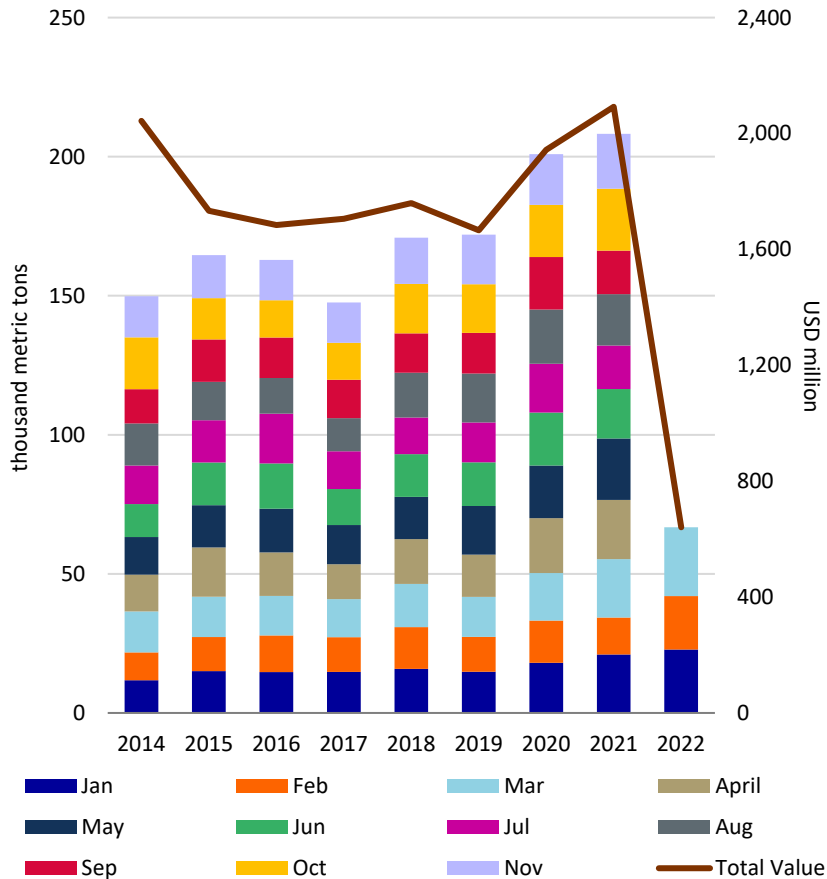


Indonesia: Following Gradual Expansion in 2021, More Growth Is Expected for 2022

Indonesia remain focused on the US shrimp market, but also has a domestic market

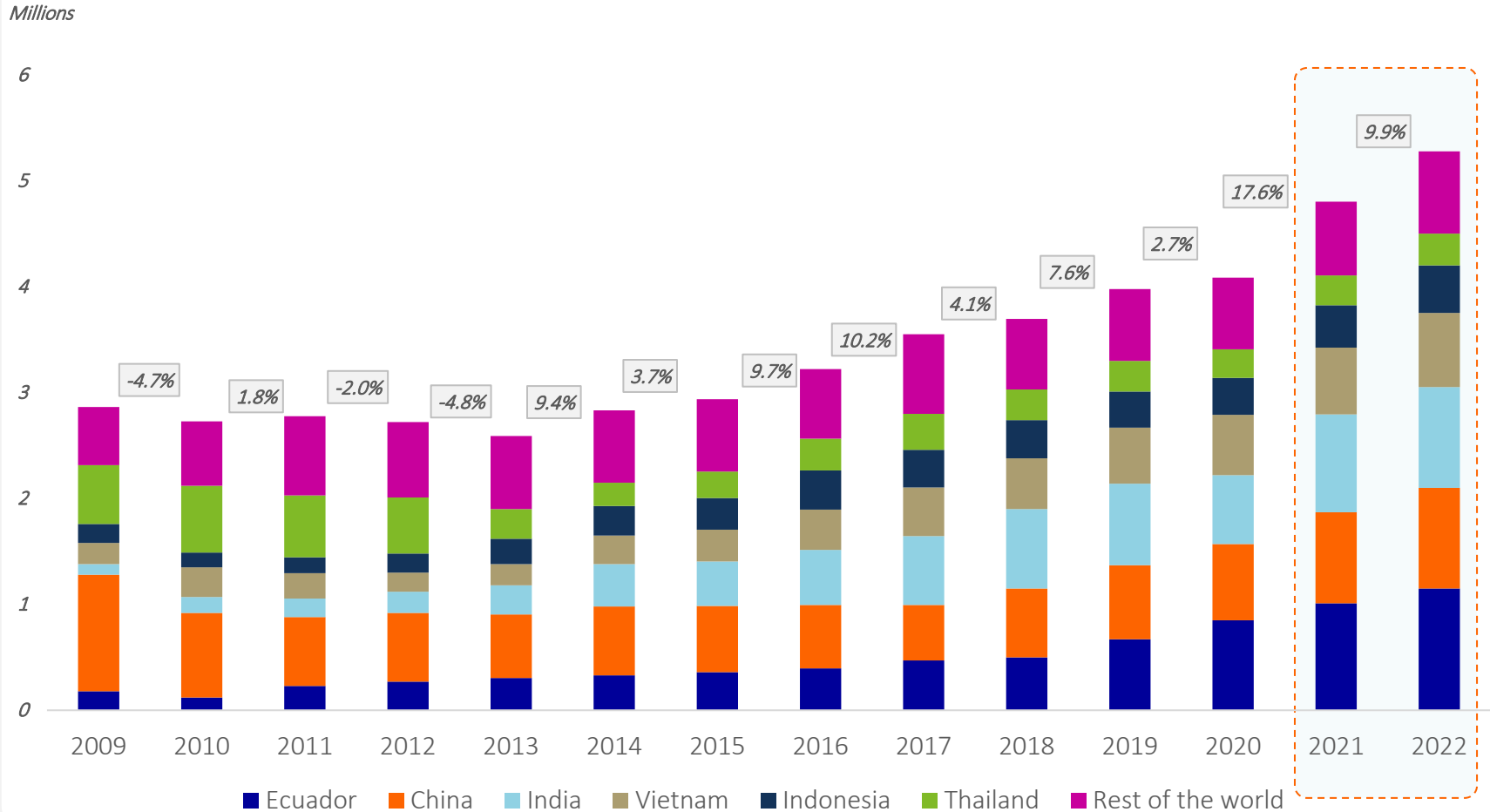
Indonesia's exports increased 21% in volume, YTD March 2022

Indonesia is more focused on the US (82% of exported volumes) than other exporters – with positive results thus far



Global shrimp can still reach 5 million in 2022 if current supply momentum continues

After huge growth in 2021, this could be another year of strong supply growth adding over 1 million MT in 2 years





IV

Good long term prospects, but challenges short term

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Inflection point in the near term



① *Costs are rising driven by feed, freight and energy*

- Feed costs for shrimp farmers have increased by up to 30% since 2019, and are likely to be elevated for at least 2-3 years more
- Freight costs have doubled and tripled in some cases. Shrimp has a relatively high energy component in the cost



② *Prices are declining and are now below pre-pandemic levels*

- Strong supply momentum is adding more volumes to the market
- Recessionary behaviour of customers reduces food service demand
- Covid related lockdowns and import barriers in China



③ *Farmer profitability is declining sharply in 2022*

- At the peak in 2021 farmers made up to 40% margins, this has reduced sharply in H1 2022
- There is a possibility farmer profitability will soon turn negative if costs are not in control and prices continue the downward trend

Long term shrimp is on a growth path due to both supply and demand dynamics



Supply side has good long-term drivers

- Improved genetics
- Nursery stage
- New technologies (e.g., automatic feeders)
- Upside to improve mortality rate and reduce failure rate
- Intensification
- Consolidation
- Better access to finance
- Government support to shrimp farming
- More land entering shrimp



Uniquely strong demand strong in 2021

- High income elasticity of demand, especially in Asian markets, truly global product, well known in almost every market
- Seen as convenient, healthy and premium with mild taste
- Shrimp was key winner at retail during Covid in all Western markets
- More home cooking benefits shrimp, freezing capacity is up in homes due to Covid

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